

STATE FINANCE COMMITTEE
OLYMPIA, WASHINGTON

July 17, 2000

The State Finance committee met in special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer
Brad Owen, Lieutenant Governor

Also Present: Jeanne Cushman, Office of the Attorney General
Dean Torkelson, Seattle Northwest Securities
Darlene Cimino-DeRose, Montague DeRose & Associates
Bill Tonkin, Foster Pepper & Shefelman
Nancy Adams, Office of the State Treasurer
Martin Reynoso, Office of the State Treasurer
Bill Doyle, Orrick Herrington & Sutcliffe
Susan Musselman, Susan D. Musselman Inc.
Karen Boyle, Foster Pepper & Shefelman
Barton Potter, Office of the State Treasurer
Mike Clarey, Office of the State Treasurer
Allan J. Martin, Office of the State Treasurer
Svein Braseth, Office of the State Treasurer
Robert Botley, Edmonds Community College
Donald Bloom, Edmonds Community College
Dan Rude, Transportation Improvement Board
Rich Struna, Transportation Improvement Board
Gretchen Gale, Office of the State Treasurer
Shad Pruitt, Office of the State Treasurer
Suzanne Coit, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Mike Roberts, Office of Financial Management
Vicki Cox, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Lt. Governor Owen moved the minutes for the April 18, 2000 meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution No. 919 provides for the issuance of General Obligation Bonds, Series 2001A of the state, in the principal amount of \$279,525,000, authorized by Ch. 14, Laws of 1989, 1st ex. sess., as amended, and Ch. 380, Laws of 1999, reg. sess., for the purpose of providing funds to pay and reimburse the state for various state capital project expenditures authorized by the 1999-01 capital budget. The Series 2001A Bonds are tax-exempt

current interest bonds. The interest will be paid semi-annually on the outstanding principal. Together, the debt service payments of Series 2001A Bonds and the Series 2001T Bonds (collectively, the “Bonds”) are structured to produce an approximate level debt service over the life of the Bonds.

Mr. Torkelson said the economy is slowing down, interest rates have fallen back to the 5.6% - 5.7% range, but by historic standards, the rates are good. Mr. Martin said the Series 2001A Bonds are to be sold competitively on September 19, 2000. William Tonkin of Foster Pepper & Shefelman is the bond counsel.

Mr. Martin presented proposed Resolution No. 919 to the committee.

Resolution No. 919 authorizing the issuance and sale of \$279,525,000 State of Washington Various Purpose General Obligation Bonds, Series 2001A, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess., as amended; Chapter 380, Laws of 1999; and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution No. 919. Chairman Murphy seconded the motion and the resolution was adopted.

Chairman Murphy said for the record that Governor Locke had intended to attend the meeting but was called to a meeting in Seattle that morning. Chairman Murphy recognized Dan Rude and Rich Struna from the Transportation Improvement Board.

Mr. Martin said proposed Resolution No. 920 provides for the issuance of Motor Vehicle Fuel Tax General Obligation Bonds, Series 2001B, of the state, in the principal amount of \$35,355,000, authorized by Ch. 440, laws of 1993, reg. sess., as amended, for the purpose of providing funds to pay and reimburse the transportation improvement account for construction of significant road projects. The 2000 Legislature passed EHB 2788 (Ch. 6, Laws of 2000, 2nd Sp. Sess.) increasing the Transportation Improvement Board (“TIB”) bonding authority authorized under Ch. 440, Laws of 1993 (RCW 47.26.500) by \$50 million dollars, raising the authority to \$100 million. The TIB has previously utilized \$10 million of this authority. The TIB is a state agency directed by a twenty-one member board. The primary purpose of the TIB is to administer state funding for local government transportation projects. Projects are funded by utilizing TIB revenue in combination with local matching funds and private sector contributions.

Mr. Martin said the Series 2001B Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2001B Bonds are structured to produce an approximate level debt service over the life of the Bonds. The Series 2001B Bonds are to be sold competitively on September 19, 2000. Mr. Rude, TIB Deputy Director, thanked the committee and staff for their assistance and expressed his appreciation of the funding.

Mr. Martin presented proposed Resolution No. 920 to the committee.

Resolution No. 920 authorizing the issuance and sale of \$35,355,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2001B, authorized by Chapter 440, Laws of 1993, as amended; and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution No. 920. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 921 provides for the issuance of General Obligation Bonds (State Housing Trust Fund), Series 2001T (Taxable) of the state, in the principal amount of \$26,770,000, authorized by Ch. 380, Laws of 1999, reg. sess., for the purpose of providing funds to pay the state for housing assistance, weatherization and affordable housing project expenditures. The capital budget contains a \$57.5 million appropriation and a \$22 million reappropriation to the Washington State Office of Community Development (“OCD”) for housing assistance, weatherization, and affordable housing. The Housing Trust Fund supports the construction or rehabilitation of more than 3,000 housing units each biennium. These programs, known collectively as the Housing Trust Fund (“HTF”), provide low-interest loans and grants from bond proceeds to private non-profit entities, which may include charitable 501(c)(3) organizations.

Mr. Martin said the sale of taxable bonds is proposed to help assure compliance with applicable federal tax laws by providing a source of funds (other than proceeds of tax-exempt bonds) for expected or potential expenditures to make HTF loans to nongovernmental persons or to provide facilities that otherwise would not qualify for tax-exempt financing. This will enable expenditures for such purposes to be allocated when required to taxable bond proceeds (to which federal private use and private loan financing limitations do not apply) rather than to proceeds of tax-exempt bonds. This will be of particular benefit when the state may be unable to plan for the precise timing or amount of HTF loans vis-à-vis any particular tax-exempt bond issue. The Series 2001T taxable HTF Bonds are proposed to be sold competitively on September 19, 2000.

Ms. DeRose said the rating agencies were looking forward to visiting the state in August.

Mr. Martin presented proposed Resolution No. 921 to the committee.

Resolution No. 921 authorizing the issuance and sale of \$26,770,000 State of Washington General Obligation Bonds (State Housing Trust Fund), Series 2001T (Taxable), authorized by Chapter 380, Laws of 1999; and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution No. 921. Chairman Murphy seconded the motion and the resolution was adopted.

Chairman Murphy introduced Mr. Botley and Mr. Bloom from Edmonds Community College. Mr. Reynoso said proposed Resolution No. 922 approves the forms of a ground lease and a financing contract in connection with the acquisition and improvement of certain real property by the Edmonds Community College, Edmonds, Washington, pursuant to RCW CH. 39.94; and authorizes the issuance of certificates of participation (“COPs”) in the financing

contract for an amount not to exceed \$4,150,000 plus financing expenses and required reserves. The proceeds of the COPs will be used to construct a new music building on the main campus of Edmonds Community College, on land currently owned by the college. Construction of the project is currently underway, and expected to be completed by February 2001. The COPs are scheduled to be sold competitively on August 8, 2000. Closing for the COPs is to occur on August 29, 2000.

Mr. Botley thanked Mr. Reynoso for his assistance with the financing details. The college has wanted to put its music program in its own building and feels the students deserve and will benefit from this project.

Mr. Martin presented proposed Resolution No. 922 to the committee.

Resolution No. 922 authorizing the issuance and sale of an amount up to \$4,150,000 State of Washington Certificates of Participation, State Board for Community and Technical Colleges, Series 2000C (Edmonds Community College), plus financing costs and required reserves, pursuant to Chapter 1, Section 1045(4)(r), Laws of 2000, 2nd Sp. Sess.; and Chapter 39.94 RCW.

Lt. Governor Owen moved to adopt Resolution No. 922. Chairman Murphy seconded the motion and the resolution was adopted.

Chairman Murphy said over the past four months, a finance team comprised of Treasury staff, certificate (bond) counsel, and the state's lease/purchase financial advisor has been working at the direction of the State Treasurer to develop new policies and documentation for the extension of the LOCAL program to real property financing for Local Agencies, as well as to update and revise the documentation for the existing personal property financing program for State Agencies and Local Agencies. A local government lease/purchase program advisory group with representatives from various local government finance professional organizations has provided feedback about program features.

Mr. Martin said proposed Resolution No. 923 would (i) re-authorize the Treasurer's existing consolidated financing program which provides for the execution and delivery of Certificates of Participation in financing contracts and master financing contracts in series from time to time in order to provide for the financing or refinancing of the costs of use and acquisition for public purposes of real and personal property by state agencies and local agencies, including the new program for real property financing for local agencies, pursuant to RCW Chapter 39.94; (ii) approve the standard format for certain financing contracts, master financing contracts and other documents related thereto, and to approve the execution and delivery of Certificates of Participation therein and agreements with trustees relating thereto; and (iii) re-authorize the execution and delivery of Certificates of Participation in series from time to time in an aggregate principal amount not to exceed \$150,000,000 outstanding at any one time. Since the inception of the LOCAL Program the Office of the State Treasurer has financed over \$12.8 million for essential equipment for 76 local agencies.

Mr. Martin said the firm of Orrick, Herrington & Sutcliffe is the largest bond certificate firm in the country and introduced Mr. Doyle. Mr. Doyle said that a lot of time and work has gone into drafting new policies and documentation. He said Moody's has rated the outstanding certificates with a strong "Aa3" which reflects the sound credit features and structures of the program. Chairman Murphy said the Advisory Group met on July 11, 2000 and the financing team met with the nominal leaser, the WFOA Board, on July 14, 2000 and received great support from both groups.

Mr. Martin presented proposed Resolution No. 923 to the committee.

Resolution No. 923 re-authorizing the execution and delivery of State of Washington Certificates of Participation in series from time to time, in an aggregate principal amount of not to exceed \$150,000,000 outstanding at any one time, in connection with the Treasurer's existing personal property financing program for State Agencies and Local Agencies, and the new real property financing program for Local Agencies; and approving the forms of the master financing contracts, financing contracts and other documents, and the execution and delivery thereof, in connection with each series of Certificates of Participation; all in accordance with RCW 39.94, as amended.

Lt. Governor Owen moved to adopt Resolution No. 923. Chairman Murphy seconded the motion and the resolution was adopted.

There being nothing further to come before the committee, the meeting was adjourned at 9:23 a.m.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

Michael J. Murphy, State Treasurer & Chairman

Gary Locke, Governor & Member

Brad Owen, Lieutenant Governor & Member

Allan J. Martin
Deputy State Treasurer & Secretary